

To: Climate Action Reserve

From: Verdeo Group, Inc.

Date: September 9, 2009

Re: Comments on the Climate Action Reserve's Coal Mine Methane Project Protocol, Version. 1.0

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We appreciate the opportunity to provide input on Version 1.0 of the Climate Action Reserve's (Reserve) Coal Mine Methane Protocol. Overall, we believe the Reserve has developed a rigorous, fair, and user-friendly protocol that will facilitate the development of projects that meet high-quality standards in this sector. In addition, we believe the Reserve has done a commendable job of facilitating a working group process that has been inclusive of opinions and ideas expressed. Our comments below reflect modifications that we believe would further improve this protocol and enable more effective application by the mining industry.

### **Section 2.1, Project Definition (page 7)**

We commend the Reserve for its decision to include trona mines that are classified by MSHA as Category III gassy underground metal and non-metal mines within the scope of mines eligible to use this protocol. While we recognize that Section 2.1 states that future references in the protocol to "coal mine methane" also include Category III gassy underground trona mines, there are two other places in the document where we believe references to "coal mine methane" should explicitly include mention of Category III gassy underground trona mines. We believe this consistency will reduce potential for confusion in application of the protocol. These are:

- *Table 8.2, 4<sup>th</sup> line, page 44* – In the Verification Checklist table, we recommend modifying the requirement for verifiers to "verify that the project only consists of coal mines operating within the U.S." to ensure that a project "only consists of coal mines or Category III gassy underground trona mines operating within the U.S."
- *Glossary of Terms, page 47* – We recommend expanding the definition of "coal mine methane", for the purposes of this protocol, to include reference to methane gas that is released because of mining activity at Category III gassy underground trona mines.

In addition, we would like to note that we support the Reserve's decision to continue to work to refine the performance standard test for natural gas pipeline projects. We look forward to providing stakeholder input on this performance standard later this year.

**Section 2.1, Project Definition, Non-Applicability (page 8), and Glossary of Terms (page 47)**

We recommend that the Reserve clarify its definitions of “active mine”, “abandoned/decommissioned mine” and “closed mine”, as discussed in Section 2.1 and defined in the Glossary of Terms. These terms, as currently defined, could result in significant confusion over what mines are eligible to use this protocol, and should be revised to incorporate language recognized by international experts and government bodies, including the U.S. EPA and IPCC.

The protocol states that it does not apply to projects that “capture methane from abandoned/decommissioned mines”, or from a “closed mine”. An “abandoned/decommissioned mine” is further defined in the Glossary of Terms (page 47) as “an underground coal mine that is not actively mining coal but that may be draining or venting methane gas. Abandoned coal mines are declared ‘abandoned’ from the date when ventilation activities cease to exist.” As written, this definition of an “abandoned/decommissioned mine” is contradictory; it is unclear whether a mine that is not actively producing coal but still operating the ventilation system would be considered abandoned.

In addition, we note that the definition of an “abandoned/decommissioned mine” is also contradictory with the Reserve’s definition of an “active mine”, which states that “active coal mines include mine works that continue to be actively ventilated by the coal mine operator. This could include MSHA designated ‘non-producing’ or ‘idle’ coal mines.” This contradiction also exists with the definition of a “closed mine”, which is described as “an underground coal mine that is no longer operational but may be draining or venting methane gas”; the Protocol states that this type of mine is not eligible under this protocol.

The U.N. Economic Commission for Europe’s (UNECE) Ad Hoc Group of Experts on Coal Mine Methane, which includes representation from the EPA, developed a glossary of terms in common use throughout the coal mine methane industry worldwide. This glossary includes a clear definition of an abandoned mine as: “a mine where all mining activity including mine development and coal production have ceased, mine personnel are not present in the mine workings, and mine ventilation fans are no longer operative.”<sup>1</sup> We recommend that the current definition of an “abandoned/decommissioned” mine in the protocol be replaced with the UNECE’s definition. A mine must be able to evaluate specific criteria to determine definitively whether it can be considered “active” or “abandoned”. Only mines that do not meet all of the defined criteria of an “abandoned mine” should not be eligible to use this protocol.

While the UNECE also defines an “inactive mine”, it does not offer clear guidance on whether the mine could be considered active or abandoned for the purposes of this protocol. Its definition of an “inactive mine” as “a mine where no coal is being produced, but persons are maintaining equipment and the mine may reopen in the near future”, could describe a mine that has ceased production temporarily – ranging from a few weeks to a few months – in response to economic conditions or factors, and which

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<sup>1</sup> “Glossary of Coal Mine Methane Terms and Definitions” established by the U.N. Economic Commission for Europe’s Ad Hoc Group of Experts on Coal Mine Methane (July 29, 2008). Available at: [http://www.unece.org/energy/se/pdfs/cmm/cmm4/ECE.ENERGY.GE.4.2008.3\\_e.pdf](http://www.unece.org/energy/se/pdfs/cmm/cmm4/ECE.ENERGY.GE.4.2008.3_e.pdf)

may still be operating the ventilation system.<sup>2</sup> Therefore, while we also recommend that the Reserve’s current definition of a “closed mine” is replaced with the UNECE’s definition of an “inactive mine”, it should also be made clear that “inactive mines” are eligible to use this protocol as long as the central ventilation system is still required by MSHA to be operating. This modification would be consistent with the Reserve’s intent to define active mines to allow MSHA designated non-producing or idle coal mines to be eligible to use the protocol. If this stipulation is not made, it would inadvertently disqualify mines where coal is not actively being mined, but where the central ventilation system continues to operate in response to MSHA regulations.

### **Section 2.1.2, Ventilation Air Methane Projects (page 8)**

It is not clear why the Reserve defines a ventilation air methane project to include only one vent shaft. If a single mine chooses to develop a project that entails the installation of two oxidizers at two different vent shafts, we believe a developer should have the option of listing and registering the two oxidizers as one project. Just as developers of drainage projects have the flexibility to define the boreholes and destruction devices that make up one drainage project, we feel that developers of VAM oxidation projects should also have that option.

### **Section 2.1.3, Non-Qualifying Devices (page 9)**

We believe the language in this section of the protocol could lead to confusion over how non-qualifying devices are accounted for in the GHG assessment boundary of an eligible project. We understand that the Reserve’s intention is to accurately account for all collection and destruction that may already be occurring from any non-eligible device to ensure that no offsets are claimed for non-additional reductions. However, we suggest the following changes are made to ensure that these projects are properly accounted for:

- We suggest the Reserve define more clearly what it means to have a non-eligible project that is “co-located” at a mine. The term “co-located” should be defined.
- We suggest the Reserve clarify its language describing how emissions from a non-eligible project should be accounted for. The current language in this section alternately states that the emissions from a non-qualifying destruction device must be accounted for in the *baseline* of an (eligible) active project, and that a non-qualifying destruction device must be accounted for in the *GHG assessment boundary* of an eligible project. To accurately account for non-qualifying devices, these projects must be accounted for in both the baseline and project scenarios. Accordingly, the current language should be modified so that it consistently states that a non-qualifying destruction device must be accounted for in the *GHG assessment boundary* of an eligible project.<sup>3</sup>

<sup>2</sup> “Glossary of Coal Mine Methane Terms and Definitions” established by the U.N. Economic Commission for Europe’s Ad Hoc Group of Experts on Coal Mine Methane (July 29, 2008). Available at: [http://www.unece.org/energy/se/pdfs/cmm4/ECE.ENERGY.GE.4.2008.3\\_e.pdf](http://www.unece.org/energy/se/pdfs/cmm4/ECE.ENERGY.GE.4.2008.3_e.pdf)

<sup>3</sup> Please also see our comment on page 5 regarding a corresponding error we may have identified in Equations 5.9 and 5.11.

**Sections 3.3/3.4.1, Crediting Period/Regulatory Test (pages 11, 12)**

We respectfully but strongly disagree with the Reserve’s intention to disqualify a registered mine methane project during the course of its approved crediting period if a new policy or regulation mandates the capture and destruction of methane from the associated mine. We believe that including this feature in the Reserve’s soon-to-be-published protocol is incompatible with two objectives strongly supported by the Reserve: encouraging the near-term implementation of high-quality and credible emission reduction projects in North America and “instilling confidence in the environmental benefit, credibility and efficiency of the U.S. carbon market”.

Mine methane projects are capital-intensive, have lengthy payback periods, and depend upon carbon offset revenue in order to be economically feasible. These projects face an uphill battle on financing unless investors have the assurance that they will be able to achieve a return on their investment. Investors in any carbon offset project already face a daunting array of project-related risks, including construction and implementation risk, gas volume and concentration risk (which directly impact the volume of offsets), technology risk, and carbon price risk. The private sector is accustomed to evaluating and bearing these risks, however, and seasoned investors believe that their experience helps them predict and/or control many outcomes. Policy risk, however, is exceedingly difficult to predict or control, and therefore has a chilling impact on project development. This is particularly important for abatement-only projects, such as VAM oxidation or drainage-flare projects, which are solely dependent on carbon revenues.

We understand and respect the Reserve’s goal of designing rules that uphold the environmental integrity of offset credits it issues. We acknowledge that there is a potential scenario where the Reserve could be issuing credits for a project several years from now which, at that point in time, could become subject to new emission requirements. However, crediting periods are fundamentally designed to strike a fair balance between investors’ needs for certainty and the need to maintain the environmental integrity of offsets. Crediting periods provide project developers with an assured level of certainty that they will be able to earn a return on their investment. The limited duration of a crediting period is also intended to ensure that projects that subsequently become non-additional (either through a change in the regulatory test or performance standard) do not continue to generate credits indefinitely. In fact, by not providing developers of coal mine methane projects with this certainty, we run the risk that these projects will not be developed and that, therefore, fewer GHG reductions will be achieved.

Elsewhere in its policy-making, the Reserve has demonstrated sensitivity to the importance of a fixed crediting period. For example, the Reserve decided to allow approved projects to continue to generate offset credits for the duration of their crediting period despite subsequent changes in the protocol performance standard. This decision inherently recognizes the critical value of a fixed crediting period, and the need for this certainty to enable developers to voluntarily direct capital toward emission reduction projects. Guaranteeing a fixed crediting period for projects, despite subsequent regulatory changes, is consistent with the Reserve’s approach to uphold a crediting period in light of subsequent changes in a performance standard. In another example, the Reserve has already designed its livestock methane protocol to provide approved projects with a fixed crediting period, despite changes in the

regulatory test or performance standard. The Reserve should take a consistent approach by providing the same assurance to developers of coal mine methane projects. We respectfully encourage the Reserve to reconsider its current approach and provide all approved projects with a limited, but fixed, crediting period.

**Section 5.3.3, Emissions from Destruction of Captured Methane, Equations 5.9 and 5.11 (pages 29-30)**

In Equations 5.9 and 5.11, which prescribe a calculation for methane destruction from eligible end uses, we suspect that the variable  $MD_i$  incorrectly accounts only for methane destroyed through eligible end uses. Given that Equation 5.4 requires  $CO_2$  combustion emissions from methane destruction occurring from non-qualifying destruction devices to be accounted for (i.e., added) in the baseline emissions, these  $CO_2$  combustion emissions must also be accounted for as project emissions in order to correctly calculate emission reductions.

We suggest the Reserve review and modify variable  $MD_i$  so that it includes “Methane destroyed through *all end use i* (flaring, power generation, heat generation, on-site vehicle use, etc.)”.

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*For further questions about our comments, please contact:*

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